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SUBJECT: ICT EVENTS SPOTLIGHT EMERGENT SECTOR OF JORDAN'S ECONOMY

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[B](#). AMMAN 7336

[C](#). AMMAN 5403

Classified By: Charge d'Affaires David Hale for reason 1.4 (b)

[1](#)1. (U) SUMMARY: Three recent and ongoing events have thrust Jordan,s growing information and communications technology sector once more into the spotlight. The industry, which has benefited from active royal patronage and substantial USAID and other donor support, has successfully carved out a niche as a provider of software solutions and as an e-learning innovator. Leading companies in the sector have cooperated closely with ICT policymakers within the GOJ to form a coherent sectoral strategy, and the GOJ has furthered the process by investing large amounts of (primarily donor) money in two large, long-term infrastructure projects. The focus on Jordan,s comparative human resources advantage in IT is beginning to pay dividends, and greater strides are likely once Jordan,s fixed-line telephony market is liberalized early next year. END SUMMARY.

[1](#)2. (U) Jordan held its third biennial ICT Forum Sep. 13-15. A weeklong visit by Cisco CEO John Chambers and his keynote address at the Forum drew wide public attention to Jordan,s IT sector. Coming on the heels of this conference, Federal Communications Commission Chairman Michael Powell,s visit to Jordan September 24-26 reinforced the message of USG support of Jordan,s ICT sector, and of the particular importance of a strong regulator in furthering sectoral growth. Last week, Jordanian ICT companies were once again on display, with a large delegation at Dubai,s GITEX ICT expo.

UNDER KING,S WING, ICT TAKES OFF

[1](#)3. (SBU) The growth in the IT sector has been initiated largely by King Abdullah, and the Palace has put a great deal of political capital in to the promotion of Jordanian ICT both within the country and abroad. Jordanians are well aware that the emerging ICT industries of the GCC states are heavily staffed by Jordanian nationals, and they want Jordan,s own economy to get more than mere remittances from this lucrative industry. Abdullah served as a catalyst in the 2001 development, by a USAID-funded consultant with the assistance of several leaders of prominent ICT firms, of a five-year ICT development master plan labeled REACH. REACH has since been annually updated with specific goals.

[1](#)4. (SBU) From this strategy has sprung several new initiatives. One of these was the formation of the Information Technology Association of Jordan (INTAJ), a sectoral organization of export-oriented ICT firms, which has received considerable funding support from USAID. The latter association has taken responsibility for the updating of the REACH master plan, and acts as a more coherent voice of the subsector it represents than does its predecessor (and sometime competitor), the Jordan Computer Society (JCS), which counts among its membership hundreds of companies ranging from INTAJ members to (primarily) importers and agents of foreign computer hardware, accessories, and software, consumer electronics, and machinery incorporating IT inputs.

[1](#)5. (SBU) Exemplary of the more focused and aggressive posture adopted by INTAJ was its role in a late 2003 dispute with pre-shipment quality assurance and safety inspection program DAMAN (ref A), which was creating substantial delays in the import of essential ICT components and causing substantial monetary losses to INTAJ member companies. INTAJ, speaking for the sector, negotiated with the Jordan Institute of Standards and Metrology (JISM), the primary GOJ stakeholder, an agreement providing for an exemption from routine inspections for products made by an agreed list of prominent international ICT component manufacturers. More recently, INTAJ successfully pressed the GOJ for an exemption for ICT imports from a recently imposed 2 percent prepaid income tax on all imports.

[1](#)6. (SBU) Abdullah has gone to bat for the ICT sector in other ways as well, using his visits to Europe and the United

States and Jordanian-hosted international conferences such as the World Economic Forum to raise the profile of Jordanian IT companies. This aggressive approach has produced results not only in terms of high-profile overseas deals made by Jordanian IT firms and of partnerships between (primarily U.S.-based) foreign and Jordanian ICT corporations, but also in terms of cooperation between foreign ICT corporations and the GOJ itself. For instance, a partnership agreement signed in May 2004 between the GOJ and Microsoft, under which the GOJ committed to equip all of its computers with licensed Microsoft software (purchased at a reduced rate) in return for Microsoft's commitment to train GOJ employees on the software's use, to assist in the ongoing e-government project, and to match GOJ investments in a variety of projects employing Microsoft products. The strategic partnership signed between the GOJ and Cisco, and Cisco's subsequent strong role in supporting and funding e-learning, is another product of Abdullah's activism on the part of the sector, which has resulted in a close personal relationship between Abdullah and Chambers and a deep involvement by Chambers in promoting Cisco's support to Jordan.

GOJ ENHANCES ICT EDUCATION; CREATES COMPETITIVE NICHE

17. (U) Perhaps the most ambitious of these public-private partnerships are those surrounding education: the Education Reform for a Knowledge Economy (ERfKE), one of whose aims is to provide all of Jordan's schools with Internet-connected computers; the Jordan Education Initiative, which aims to provide e-learning platforms and content for those computers; and the National Broadband Network (NBN), which aims to lay a broadband link between all Jordanian schools. The ERfKE is the beneficiary of \$380 million (over five years) in direct GOJ funding, World Bank and EIB soft loans (which USAID assistance helped to secure), and direct grants from USAID and donor agencies of the UK, Canada, Japan, and Germany, approximately a quarter of which goes to ICT. The ICT component of the program so far has equipped over 1,650 schools with computers and connected almost 1,000 to the Internet. The GOJ has allocated to the NBN \$79 million in funds from the Socio-Economic Transformation Plan (SETP, funded completely by donor grants), whose network design was laid out by USAID-funded consultants. Cisco is providing free technical support and project management assistance and reduced-price components in return for exclusive use of Cisco components in certain parts of the network. The NBN has already linked all six Jordanian universities to each other, and plans to have 226 Jordanian schools (out of 3200) connected within three years. The fiber going to the rest of the schools, along with 75 Knowledge Stations (community access centers in poor and rural areas of Jordan), will be easier to build. The GOJ hopes to link them all by 2012 with either fiber or, in some isolated areas, wireless broadband connectivity. In addition, the NBN has been configured to be able to double as a telecommunications network to serve other GOJ needs, including a nationwide first responders network and inter-agency e-government link.

18. (SBU) It is the JEI, however, that is the most potentially transformative part of the GOJ's ICT education drive. Over 41 foreign public and private partners, including USAID, MEPI, Microsoft, Cisco, IBM, Hewlett Packard, and Dell, have invested over JD 15 million (\$21 million) in over twenty different e-learning content development projects, in partnership with domestic Jordanian firms. Innovative Jordanian companies such as Rubicon (now in a partnership with Cisco), Menhaj (now in partnership with Microsoft), and Integrated Technology Group (ITG) have rushed to take advantage of the funding available through the JEI. Firms like these, in producing products to meet GOJ demands, have given Jordan a strong edge in production of innovative - and especially Arabic-language - e-learning software. Several are now negotiating with the educational systems in other countries, particularly in the Gulf, to license their software for those markets and have scored some major successes. ITG recently began implementation of an agreement with Apple and the Government of Bahrain to essentially become the sole e-learning provider to all Bahraini schools, and, in a coup of which the GOJ is particularly proud, Rubicon has sold a math e-learning program to the State of New Jersey.

19. (U) Outside of these major public-private initiatives, ICT educational partnerships are also on the rise. Jordan currently hosts computer training centers - some of which provide degrees - funded by ICT majors including Microsoft and Cisco (expanded as part of the GOJ's overall partnership with these corporations), IBM, and Oracle. Jordan's technical universities are forming partnerships with private U.S. technical institutions as well, ranging from a recently announced Amman "Entrepreneurship Center" coordinated with a similar center at the Massachusetts Institute of Technology to the long-running ICT training arrangement between for-profit New York Institute of Technology and Irbid,s

E-GOVERNMENT STANDS UP SLOWLY

10, (U) Slower to develop, but probably of equivalent long-term importance, has been the introduction of the Jordanian government to the information age. Leading the charge in this arena has been the Ministry of ICT, which is working, in close association with USAID, to computerize Jordanian ministries and agencies, to connect them to each other and to the Internet, and to develop web-based applications to help the ministries and agencies in interfacing with the consumers of their services. After an initial exploratory phase in which several of these web-based applications were developed with USAID help, the GOJ has opted to concentrate on computerizing and connecting the government first, allowing the government-to-citizen interfacing to grow more organically from government institutions that themselves see the need for such interfaces and understand the technology well enough to give these concepts their full buy-in.

11. (SBU) Six GOJ entities have so far been linked together, with a further four expected to be on the network by the end of the year, and a total of eighteen by June. The connection of the remaining 108 departments should be facilitated by the built-out NBN fiberlink between Jordanian schools, and should be completed at relatively low cost by 2009. As part of this process, the Ministry of ICT is working to hive off a part of itself into the National IT Center, which will operate as part of the Prime Ministry to coordinate all IT activities of all GOJ entities, including JEI and the e-government program.

USAID funded the creation of the precursor unit to the National IT Center, and is now working to help with its unbundling.

12. (SBU) The money put into the GOJ e-government program, while not attaining the heights reached by JEI, has still been enough to attract Jordanian firms, to which the GOJ has directed most of its contracts. This has allowed such firms to build their businesses in a large niche where Jordanian firms have traditionally had a regional competitive edge: the provision of software and network solutions based on products produced in the developed world. Firms like Eskadenia and Estarta are gaining the experience needed to compete with South and East Asian and Western companies for large contracts being offered especially in the Middle East - especially in GCC countries, which are racing to upgrade their ICT infrastructure while high oil prices make surplus government monies available. Still, it remains to be seen whether such firms could thrive without the GOJ as a client; as of 2002, the most recent figures available for the ICT sector, the GOJ consumed over a quarter of all goods and services produced by Jordan's IT companies.

13. (SBU) The e-government program has also given the GOJ more scope to bargain with world-class ICT firms - by expanding the size of the its ICT use, the GOJ has made itself a more attractive candidate for partnerships like the Microsoft licensing agreement and a soon-to-be-launched agreement with Bearing Point to train GOJ personnel in management techniques.

JT AS SECTORAL BOTTLENECK

14. (SBU) While the sector has made substantial progress over the past several years, more complete exploitation of Jordan's domestic IT capabilities may await the opening of Jordan's fixed-line infrastructure. This sector has been and is currently under the legal monopoly of Jordan Telecom (JT), whose privatization and then strategic partnership with France Telecom (FT) over the past five years have brought it a long way - but not all the way - towards a competitive model. However, as part of Jordan's WTO accession process, Jordan pledged to work to end its fixed-line monopoly by January 1, 2005, and Jordan's Telecommunications Regulatory Commission (TRC) is doing its best to work out the modalities of the opening.

15. (SBU) Minister of ICT Fawaz Zu'bi, in his Sep. 26 meeting with Chairman Powell, expressed his belief that the upcoming phase of liberalization will be critical to the future of the ICT sector. The high international tariffs imposed by JT have made some of Jordan's more internationally focused ICT companies uncompetitive, as has the slow roll-out and high prices of broadband access and other fixed-line services. Zu'bi believes that FT's stress on profit maximization since the conclusion of its strategic partnership with JT has not been consonant with GOJ goals. He hinted to Powell that rather than expand FT's control of JT, as FT is requesting, he would be looking seriously at

ending their management contract. More broadly, Zu,bi praised the National Broadband Network (whose building JT had resisted) as giving the GOJ leverage against JT and giving the TRC space to move against JT if necessary, and said that regardless of whether FT remains at the driver,s seat of JT, the GOJ would retain a "golden share."

16. (SBU) Despite the support of Zu,bi, who in any case plans to voluntarily depart the MOICT in the upcoming Cabinet reshuffle (ref B), the TRC is contemplating the strong probability of a nasty battle with JT and other incumbents over the opening of the fixed-line sector. The prospect of such a fight, the sequel of a battle between the TRC and the mobile telephony sector's two incumbents over the awarding of a third GSM license (ref C), has left the TRC scrambling for support. The visit of Chairman Powell, and the rhetorical backing he gave to the TRC,s upcoming project, were invaluable in this respect.

17. (SBU) The GSM license fight also left the TRC aware of its own organizational deficiencies, and during Chairman Powell,s visit, TRC CEO Muna Nijem asked for his advice in the areas of dispute resolution and enforcement, spectrum allocation, and especially public relations. Chairman Powell stressed the need for the TRC to articulate an overall vision of the direction in which the sector should be going, but to always be ready to admit when it had made the wrong decision and reverse course. FCC agreed to provide further advice and support to the TRC in the areas of public relations and dispute resolution, in a series of videoconferences with TRC staff and visits by FCC personnel over the upcoming year, in cooperation with a USAID-financed advisor already in residence at the TRC.

COMMENT

18. (SBU) The strong level of GOJ support for Jordan,s nascent ICT sector is the primary reason for the growth that the sector has experienced to date. With heavy donor assistance, the GOJ is creating a voracious demand for ICT services that it is turning to the Jordanian private sector to supply. It remains to be seen whether Jordan,s ICT sector will be able to stand on its own if and when public-directed funding recedes to more "normal" levels, but initial signs are good; exports are rising along with the more GOJ-driven domestic sales as Jordanian firms develop more experience cooperating and competing in an international arena. The ongoing improvements to Jordan,s ICT infrastructure and education should only continue to drive costs down and create a more fertile arena for domestic ICT firms.

19. (SBU) In its support of Jordanian ICT, USAID appears to have picked a winner: strong GOJ buy-in and international donor and private support has proved to be a multiplier to USAID,s relatively modest initial expenditures, and a wealth-creating industry is springing up where there was none before. The GOJ,s pursuit of partnerships with high-profile (and primarily US-based) ICT firms should help to further strengthen trade ties and over time substantially increase traditionally weak U.S. investment in Jordan. And the ICT initiatives developed by Jordan, especially in terms of ICT-based curriculum reform, are already being viewed as a model by several regional states for whom curriculum is a USG priority. Strong and sustained U.S. support for the TRC over the next several months, during which its program for the liberalization of the fixed-line sector must be formulated and approved, will however be critical to removing the last great internal obstacle to the competitiveness of the ICT sector: the stranglehold held by JT (septel).

20. (U) Chairman Powell did not have the opportunity to clear this cable prior to its release.
HALE